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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

OMB APPROVAL	
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FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 07/01/19 AND ENDING 06/30/20  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **COMMONFUND SECURITIES, INC.**

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

**15 OLD DANBURY ROAD**

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street)

**WILTON**

**CT**

**06897**

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

JONATHAN SPONGBERG

203-563-5052

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

**PRICEWATERHOUSECOOPERS, LLP**

(Name - if individual, state last, first, middle name)

**300 MADISON AVENUE**

**NEW YORK**

**NY**

**10017**

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:



Certified Public Accountant



Public Accountant



Accountant not resident in United States or any of its possessions.

**FOR OFFICIAL USE ONLY**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

## OATH OR AFFIRMATION

I, JONATHAN SPONGBERG, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of COMMONFUND SECURITIES, INC., as of JUNE 30, 2020, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Subscribed and sworn to before  
me this 27th day of August, 2020

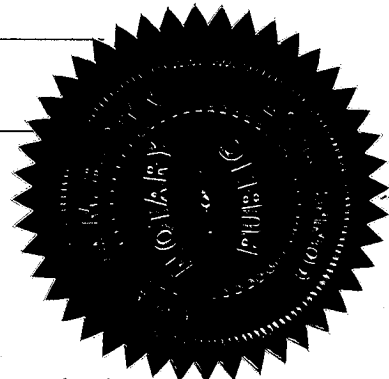
Amanda M. Brown  
Notary Public

TREASURER

Signature

Title

**AMANDA M. BROWN**  
**NOTARY PUBLIC OF CONNECTICUT**  
**My Commission Expires 4/30/2021**



This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss) or, if there is other comprehensive income in the period(s) presented, a Statement of Comprehensive Income (as defined in §210.1-02 of Regulation S-X).
- ☐ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

commonfund

August 28, 2020

U.S. Securities and Exchange Commission  
Division of Trading and Markets  
Mail Stop 7010  
100 F Street, NE  
Washington, D.C. 20549  
202-942-8088

SEC Mail Processing

SEP 01 2020

Washington, DC

Dear Sirs:

We submit herewith the following reports of Commonfund Securities, Inc. (the "Company"):

- Two copies of the Company's Statement of Financial Condition as of June 30, 2020.
- Two copies of the Company's Financial Statements and Supplemental Schedules pursuant to Rule 17a-5 of the Securities and Exchange Commission for the year ended June 30, 2020.
- Two copies of our Independent Registered Accounting Firm's letter on the Company's Exemption Report.
- Two copies of the Company's Exemption Report.

It is our understanding that the Company's Financial Statements and Supplemental Schedules, which are bound separately from the Statement of Financial Condition, shall be deemed confidential pursuant to the disclosure standard set forth in paragraph (e)(3) of Rule 17a-5.

Very truly yours,



Jonathan Sponberg  
Commonfund Securities, Inc. FINOP

15 Old Danbury Road, Wilton, Connecticut 06897  
Telephone: 888 823 6246 [www.commonfund.org](http://www.commonfund.org)

Securities offered through Commonfund Securities, Inc., a member of FINRA

# **Commonfund Securities, Inc.**

(A wholly owned subsidiary of The Common Fund for  
Nonprofit Organizations)

**Statement of Financial Condition**

**June 30, 2020**

**Commonfund Securities, Inc.**  
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**June 30, 2020**

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## **Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholder of Commonfund Securities, Inc.

### ***Opinion on the Financial Statement – Statement of Financial Condition***

We have audited the accompanying statement of financial condition of Commonfund Securities, Inc. (the “Company”) as of June 30, 2020, including the related notes (collectively referred to as the “financial statement”). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as of June 30, 2020 in conformity with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

The financial statement is the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of this financial statement in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that our audit provides a reasonable basis for our opinion.

*PricewaterhouseCoopers LLP*

August 27, 2020

We have served as the Company’s auditor since 1997.

**Commonfund Securities, Inc.**  
**Statement of Financial Condition**  
**June 30, 2020**

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**Assets**

Cash and cash equivalents (Note 2)	\$	17,586,602
Receivables from affiliated organizations (Note 3)		3,047,388
Prepaid expenses		217,969
Deferred tax asset		65,591
Lease right-of-use asset (Note 6)		640,504
Other assets		35,841
Other receivables		282
<b>Total assets</b>	<b>\$</b>	<b>21,594,177</b>

**Liabilities and Shareholder's Equity**

Compensation payable (Note 7)	\$	3,399,126
Placement fee payable (Note 2)		771,667
Accounts payable and accrued expenses		626,969
Lease liability (Note 6)		621,750
Current tax liability		455,052
Payable to affiliated organizations (Note 3)		30,896
<b>Total liabilities</b>		<b>5,905,460</b>
Commitments and Contingencies (Note 9)		
Common stock (\$0.01 par value, 1,000 shares authorized, issued and outstanding)		10
Paid-in-capital		3,555,418
Retained earnings		12,133,289
<b>Total shareholder's equity</b>		<b>15,688,717</b>
<b>Total liabilities and shareholder's equity</b>	<b>\$</b>	<b>21,594,177</b>

**Commonfund Securities, Inc.**  
**Notes to Statement of Financial Condition**  
**June 30, 2020**

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**1. Nature of Business**

Commonfund Securities, Inc. (the "Company") is a Delaware stock corporation managed by its Board of Directors. The Company commenced operations on September 2, 1997 for the purpose of providing broker-dealer services to Commonfund Capital, Inc. ("CCI") and Commonfund Realty, Inc., wholly owned subsidiaries of Commonfund Holding Company, Inc., ("HoldCo") a wholly owned subsidiary of The Common Fund for Nonprofit Organizations ("Commonfund"). On July 1, 1999, the ownership of the Company was transferred to HoldCo and the Company expanded its broker-dealer services to Commonfund and its subsidiary Commonfund Asset Management Company ("Comanco"). The Company is registered as a broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA").

**2. Significant Accounting Policies**

**Basis of Accounting**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. These financial statements are presented in the Company's functional currency, the United States Dollar.

**Placement Fee Payable**

Pursuant to private placement fee agreements between the Company, CCI and unaffiliated third parties, the Company is subject to pay the unaffiliated third parties monthly retention fees during the fund raising period of certain funds advised by CCI and/or success fees equal to a percentage of the total committed amount accepted by the general partner of the affiliated funds. CCI will reimburse the Company for all costs incurred. Distribution Services Revenues are earned by the Company based on the costs of these agreements and such cost are not subject to a 15% profit allocation. The June 30, 2020 liability incurred under the private placement fee agreements of \$771,667 is included as Placement fee payable on the Statement of Financial Condition.

**Income Taxes**

The Company's results of operations are included in the Federal consolidated and State combined income tax returns of HoldCo. The Company has a tax sharing agreement with HoldCo, whereby the Company computes its Federal and State income tax liability as if it filed a separate Federal and State income tax return. The Company is then required to reimburse HoldCo payment of such tax. Furthermore, HoldCo has the discretion to use the Company's tax benefits and will reimburse the Company accordingly. Current income taxes or benefits are provided for at the appropriate statutory rate applicable to the Company's earnings.

In accordance with Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Topic 740, deferred income taxes are recognized for the future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases ("temporary differences"). Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Management assesses the realizability of deferred tax assets and records a valuation allowance if it is more likely than not that all or a portion of the deferred tax assets will not be realized. The



**Commonfund Securities, Inc.**  
**Notes to Statement of Financial Condition**  
**June 30, 2020**

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deferred tax assets are primarily from compensation awarded, but not paid, for which we determine, in accordance with provisions of ASC 740, Income Taxes, are more likely than not able to be realized due to the generation of sufficient taxable income in the future. The probability of future taxable income and historical profitability, among other factors, are considered in assessing the amount of the valuation allowance. ASC 740 provides that a tax benefit from an uncertain position may be recognized when it is more-likely-than-not that the position will be sustained upon examination, including resolutions of any related appeals for litigation processes based on technical merits of the position. For tax positions meeting the more-likely-than-not threshold, the tax benefit recognized in the consolidated financial statement is the greatest benefit that has a greater than 50% likelihood of being realized upon settlement with the relevant taxing authorities. The Company's policy is to accrue interest and penalties associated with unrecognized tax benefits, if any, in Accounts payable and accrued expenses, in the Statement of Financial Condition.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash, bank deposits and money market mutual funds with original maturities of 90 days or less. Cash is held on deposit with the Company's custodian, Wells Fargo Bank, N.A. Cash equivalents include a money market fund that invests in government agency debt, treasury repurchase agreements and treasury debt.

At June 30, 2020, cash and cash equivalents consisted of:

Demand Deposit	\$	1,198,824
State Street Institutional U.S. Government Money Market Fund		16,387,778
Total	\$	<u>17,586,602</u>

The money market fund offers daily liquidity and is valued at net asset value of \$1.00 per share as reported by the fund. The money market fund is considered a Level 1 investment. Level 1 assets are valued using inputs that reflect unadjusted quoted prices in active markets that the Company has the ability to access at the measurement date.

**Property and Equipment**

Property and equipment is stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Maintenance and repair costs are charged to expense as incurred. The major category of fixed assets as of June 30, 2020 is Furniture, Fixtures and Equipment with a cost and accumulated depreciation of \$246,862 and \$246,862, respectively.

**Leases**

On July 1, 2019, the Company adopted FASB ASC Topic 842, "Leases," ("ASC Topic 842") which requires that a lessee recognize in the statement of financial condition a lease liability and a corresponding right-of-use asset, including for those leases that the Company had classified as operating leases. The right-of-use asset and the lease liability were initially measured using the present value of the remaining lease payments. ASC Topic 842 was implemented using a modified retrospective approach and resulted in no cumulative-effect adjustment in the opening balance of retained earnings as of July 1, 2019.

The Company reviews all relevant contracts to determine if the contract contains a lease at its inception date. A contract contains a lease if the contract conveys to the company the right to control the use of an underlying asset for a period in exchange for consideration. If the Company

**Commonfund Securities, Inc.**  
**Notes to Statement of Financial Condition**  
**June 30, 2020**

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determines that a contract contains a lease, it recognizes, in the statement of financial condition, a lease liability and a corresponding right-of-use asset on the commencement date of the lease. The lease liability is initially measured at the present value of the future lease payments over the lease term using the rate implicit in the lease or, if not readily determinable, the Company's secured incremental borrowing rate. An operating lease right-of-use asset is initially measured at the value of the lease liability minus any lease incentives and initial direct costs incurred plus any prepaid rent.

The Company's identified lease is classified as operating lease for office space. As the Company does not utilize any secured borrowing, the outstanding lease liability was measured using Commonfund's applicable rates for a similar lease term. The Company's lease has remaining term of two years and includes options to terminate the lease upon notice. The Company considers these options when determining the lease term used to calculate the right-of-use asset and the lease liability when the Company is reasonably certain it will exercise such option.

The Company's operating lease contains both lease components and non-lease components. Non-lease components are distinct elements of a contract that are not related to securing the use of the underlying assets, such as common area maintenance and other management costs. The Company elected to measure the lease liability by combining the lease and non-lease components as a single lease component. As such, the Company includes the fixed payments in the measurement of the lease liability. Some of the non-lease components are variable in nature and not based on an index or rate, and as a result, are not included in the measurement of the right-of-use asset or lease liability.

**Recently Issued Accounting Pronouncements**

In June 2016, the FASB issued Accounting Standards Update ("ASU") 2016-13, Credit Losses (Topic 326). ASU 2016-13, as amended, replaces the methodology for recognizing credit losses. This topic will be effective for fiscal years beginning after December 15, 2019 and is not expected to have a material impact on the Company's financial statements.

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740). ASU 2019-12 simplifies the accounting for income taxes and will be effective fiscal year beginning after December 15, 2020. Management is currently assessing the impact that this ASU will have on the Company's financial statements.

**3. Related Parties**

The Company has substantial transactions with Commonfund and its affiliated entities. Substantially all the Company's revenues and expenses are derived from transactions with Commonfund and its affiliated entities. Commonfund and its affiliated entities provide certain "centralized services" to the Company, such as information technology, human resources administration, and accounting.

**Commonfund Securities, Inc.**  
**Notes to Statement of Financial Condition**  
**June 30, 2020**

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As of June 30, 2020, Receivables from and Payables to affiliated organizations are as follows:

	<u>Receivable From</u>	<u>Payable To</u>
Commonfund	\$ -	\$ 30,896
Holdco	2,616,940	-
Comanco	29,133	-
CCI	401,315	-
	<u>\$ 3,047,388</u>	<u>\$ 30,896</u>

**4. Net Capital Requirements**

As a registered broker-dealer and member of FINRA, the Company is required to maintain minimum net capital in accordance with the SEC Uniform Net Capital Rule 15c3-1 (the "Rule").

Under the Rule, as a registered broker-dealer, the Company is required to maintain minimum net capital equal to the greater of \$5,000 or 6-2/3% of aggregate indebtedness, as defined, which indebtedness amounted to \$5,283,710 at June 30, 2020. At June 30, 2020, the Company's ratio of aggregate indebtedness to net capital was 0.44 to 1 and net capital was \$12,005,159 which was \$11,652,911 in excess of such required net capital, or \$352,248.

The Company claims exemption from SEC Rule 15c3-3 under Section (k)(2)(i).

**5. Concentrations of Credit Risk**

The Company's cash is held at a major national U.S. bank. The Company's cash balance typically exceeds Federal Deposit Insurance Corporation ("FDIC") insurance coverage. The Company's cash equivalents are invested with a major national investment company and is not covered by FDIC insurance. These factors subject the Company to a concentration of credit risk. The Company regularly monitors the credit ratings of these financial institutions in order to monitor the credit risk that exists with the balances in excess of insured amounts.

**6. Operating Lease**

The Company has an office lease agreement in San Francisco, California. The lease renewal commenced on July 1, 2019 and will expire on June 30, 2022. It does not contain any residual value guarantees, restrictions or covenants. The lease obligation recognized upon commencement was \$952,553 utilizing a discount rate of 1.74%.

The table below reconciles the undiscounted cash flow of the Company's lease to the present value of its operating lease payments.

Fiscal Year	
2021	\$ 297,776
2022	335,907
Total undiscounted operating lease payment	<u>633,683</u>
Less: imputed interest	(11,933)
Present value of operating lease liabilities	<u>\$ 621,750</u>

**Commonfund Securities, Inc.**  
**Notes to Statement of Financial Condition**  
**June 30, 2020**

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**7. Incentive Compensation Plans**

Commonfund implemented the Commonfund and Affiliates Incentive Compensation Policy (the "Plan") effective July 1, 2015 to align compensation with operational goals. The Plan is effective for all employees of the Company and replaces all prior incentive compensation plans. Compensation costs under the Plan are recognized during the fiscal year, with payments generally made by the third month following fiscal year end.

The June 30, 2020 liability under the Plan of \$3,399,126 is included with Compensation payable on the Statement of Financial Condition.

**8. Capital Withdrawal**

As sole shareholder, Holdco will on occasion withdraw capital from the Company. During the year ended June 30, 2020, Holdco withdrew a total of \$3.0 million of equity capital. Withdrawals of \$500,000 were made on November 25, 2019, December 27, 2019, February 27, 2020, March 30, 2020, May 28, 2020 and June 30, 2020.

**9. Commitments and Contingencies**

The Company has an office share agreement with Commonfund whereby the Company is charged rent based on headcount at and operating costs of Commonfund's headquarters. The office share agreement allows for termination with 90-days' notice by either party and does not qualify as a lease under ASC Topic 842.

In the normal course of business, the Company enters contracts that contain a variety of warranties and indemnifications that provide general indemnifications. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. However, based on experience, the Company expects the risk of loss to be remote.

**10. Subsequent Events**

Management has determined that there were no material events that would require adjustment to or disclosure in the Company's financial statements occurring from the date of the Statement of Financial Condition through August 27, 2020, the date this financial statement was available to be issued.

Beginning in January 2020, global financial markets have experienced and may continue to experience significant volatility resulting from the spread of a novel coronavirus known as COVID-19. The outbreak of COVID-19 has resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand, and general market uncertainty. The effects of COVID-19 have and may continue to adversely affect the global economy, the economies of certain nations, and individual issuers, all of which may negatively impact the Company's Statement of Financial Condition.